(b) whether it is a fact that the Planning Commission expressed its opinion to slash the interest rates on educational loans to make them more affordable:

(c) whether it is also a fact that the Planning Commission has proposed to give Income Tax relief on such borrowings; and

(d) if so, action contemplated by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) As per the model education loan scheme of Indian Bank's Association the interest rate to be charged by banks on Educational Loan upto Rs. 4 lakh is not to exceed the Benchmark Prime Lending Rate (BPLR) and for loans above Rs. 4 lakh, the interest rate is not to exceed BPLR plus 1 percent per annum.

(b) and (c) Yes, Sir. The Planning Commission had opined that the education loan scheme may be reviewed with a view to working out modalities for reducing the rate of interest. Also it discussed income tax rebate on educational loans.

(d) The lending rates are linked to the BPLR fixed by banks. These have been showing a declining trend during the recent past. With regard to income tax relief, in the Union Budget 2005-06 it has been proposed to allow without any limit, the entire amount of interest paid by an individual during the previous year on such loan taken from any financial institution or any approved charitable institution for the purposes of pursuing higher education, as a deduction from the total income. However, no deduction shall be allowed for repayment of the principal loan amount. The deduction shall be allowed for eight years beginning from the year in which payment of interest on the loan begins. Under the existing provisions of section 80E, a deduction of rupees forty thousand is allowed to an individual on account of any amount paid by him in the previous year by way of repayment of loan, or interest on such loan, taken from any financial institution or any approved charitable institution for the purpose of pursuing higher education. The proposed amendment shall take effect from 1st April, 2006 and will, accordingly, apply in relation to the assessment year 2006-07 and subsequent years.

Guidelines on VAT by the Empowered Committee

3428. SHRI DARA SINGH CHAUHAN: Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that clear guidelines with respect to

implementation of VAT in case of industrial catering services have not been issued by the Empowered Committee on VAT;

(b) whether it is a fact that in-house catering wherein the employer provides food to the employees of the company have also been brought under VAT by some State Governments;

(c) if so, the reasons for this distortion and anti welfare measure;

(d) whether steps being taken to correct this anomaly; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) No, Sir.

(b) to (e) The VAT system, a State level Tax Reform measure implemented with effect from 1st April 2005 by most of the States, is a State subject. Therefore, the power to take the decision to levy VAT on in-house catering, wherein the employer provides food to the employees, rests with the State Governments and only the States can take steps to correct the anomaly, if any.

Guidelines for giving educational loans to students

3429. SHRI T.T.V. DHINAKARAN: Will the Minister of FINANCE be pleased to state:

(a) the rules/guidelines laid down by Nationalized Banks for giving educational loans to students;

(b) the amount earmarked by banks for this purpose for the year 2005-06; and

(c) what is the remedy available to poor students/parents who are denied educational loan on grounds of surety, assets etc. by the banks in violation of guidelines?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) In consonance with the Budget announcement for the year 2004-05, Indian Banks' Association (IBA) had issued revised guidelines dated 31.08.2004 on educational loan scheme to all member banks. The salient features of the educational loan scheme is as under:

- Loans upto Rs. 7.5 lakh for studies in India and upto Rs. 15 lakh for studies abroad. It covers courses in schools and colleges in India and abroad.